

Cape Diamonds plc ('Cape Diamonds' or the 'Company')
26 May 2006

First Day of Dealings on AIM

Cape Diamonds (AIM: CAPE) is pleased to announce its first day dealings on AIM today. The Company was established in March 2004 to capitalise upon the opportunity to acquire diamond assets in the RSA, which has acquired a 74.4 per cent. interest in the Elandslaagte Project, with the balance of the interest being held by Wheatfields, a BEE shareholder.

The Company has placed 5,200,000 Ordinary Shares at £2.50 per share with institutional and other investors, raising £13 million gross, in order to provide the additional capital required to pay creditors, to make the final payments due under the Elandslaagte Agreement, to bring the mine to commercial production and in particular, to invest in mine development and dense medium separation plants to increase both the volumes of material treated and diamond recoveries and for the provision of working capital. In addition, the Selling Shareholders have placed an aggregate of 1,200,000 Sale Shares under the Shareholder Placing. The Company will not receive any of the proceeds of the sale of Sale Shares, all of which (net of expenses and stamp duty) will be paid to the Selling Shareholders.

The Elandslaagte Project comprises an existing mining operation based on a diamondiferous kimberlite pipe system. Since 1896 approximately 30,000 carats of diamonds have been extracted from the Elandslaagte mine and individual diamonds recovered have ranged in size up to 400 carats.

Since July 2004, the Company has invested in developing the infrastructure and open pit operation at the mine and evaluating the Project. As part of this process over 2,000 carats of diamonds have been recovered with individual stones ranging in size up to 50 carats.

Manie Silver, Chief Executive, commented:

'We are delighted that UK investors clearly appreciate both the world-class nature of the resource at Elandslaagte and its long-term potential. Following the successful placing, we now have the funds needed to boost diamond production to the levels required for the project to become self-financing'